

# **PRIVATE MANAGEMENT AND MAINTENANCE OF HOUSING IN UKRAINE:**

**HOW TO DESIGN AND IMPLEMENT A  
LOCAL PROGRAM**

***A HANDBOOK FOR OFFICIALS,  
HOUSING PROFESSIONALS,  
TENANTS, OWNERS AND FIRMS***

***BASED ON SUCCESSFUL  
DEMONSTRATIONS IN KHARKIV,  
ODESSA AND KIEV***

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## **FORWARD**

For many years, housing maintenance and management has been a very serious problem for both the state which owned the housing and the residents who occupied it. The lack of funds, the monopolies by owners of the maintenance agencies, the lack of active participation in management by the residents — all of these were unavoidable in this situation, however, these were the same reasons that housing maintenance and management became obsolete, leading to the decline in the level of comfort.

How can we change the maintenance sector now? We started thinking about it when the state allowed private ownership for housing and cut the housing subsidies. We realized that under the new conditions we not only can but must offer a new system of housing maintenance and management to the residents. And USAID through the firm PADCO offered its help.

After the decision of the special Session of the City Council, we created the special subdivision responsible for the introduction of new forms for housing maintenance and management. Soon afterward, we announced the bidding for housing maintenance among the private maintenance companies.

Now the people of Kharkiv own almost one third of the housing which previously belonged to the state. The winning bidders maintain the housing of three housing maintenance enterprises. Even though this experiment has been working for a short period of time we are already able to give it a positive evaluation.

The program which is being implemented in our city can be replicated in the other cities of Ukraine. I am sure that the city authorities, well-trained by Angus Olson who has spent a few years in our city, will help in this process.

E. Kushnaryov  
Chairman of Kharkiv City Council  
of Peoples Deputies.

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## Introduction

This handbook explains how to design and implement a Private Management and Maintenance Program in your community. Whether you are a housing official, housing professional, homeowner, tenant, state enterprise or business person, private management and maintenance is a concept that can work for you. Successful demonstrations have already proven the viability of private management in Ukraine, and there is strong interest to initiate programs in other Oblasts, Cities and RAiON's. <sup>1</sup> The purpose of this guide is to disseminate practical information from the demonstrations, to highlight the lessons learned, and to assist you in implementing your own private management program.

Although many aspects of the local demonstration programs are similar, there are distinct differences. There is no "right" or "wrong" way to this process, and the evolution of private management will be slightly different in every locality, depending on the needs of the locality. It is noteworthy that the private management program is flexible enough to allow it to be tailored to the requirements of your community.

Private Management and Maintenance has evolved from a demonstration phase to a program that has been embraced by the Supreme RADA of Ukraine in its new "Concept of State Housing Policy". The new housing policy envisions a "continuing privatization of the state housing fund, creating a housing market and market structures in the *sphere of housing management*". <sup>2</sup>

This handbook and its appendices contain the basic information and model documents that can be used to design and implement your private management program. The handbook was designed to be easily read, and as a result, it is short in length and does not contain all of the details on Private Management and Maintenance. All users of this handbook may use the trained and experienced specialists from PADCO to assist in the process of implementing a program.

To assist in understanding the terms used in this handbook, a "Glossary of Real Estate Terms" is included as Appendix A.

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<sup>1</sup> The Cities of Odessa, Kharkiv and Kiev conduct private management programs with technical assistance provided by USAID and PADCO.

<sup>2</sup> Approved under Resolution #254/95-VR of the Verkhona RADA of Ukraine, of June 30, 1995; emphasis added.

## Chapter 1

### **Reasons Why There Is A Need For Private Management And Why Now Is The Time To Undertake A Private Management Program** <sup>3</sup>

- 1** Rents now pay for only a fraction of housing operating costs, putting enormous burdens on state and local budgets. In 1994, residential rents paid for less than 5 % of housing operating costs. Ukraine can no longer afford to provide for such huge subsidies. Housing and communal services are now facing a serious challenge of how to do more with less. If the housing maintenance sector is to survive, high productivity will be required.
- 2** Historically, all housing maintenance has been provided on a monopolistic basis by Zheks. Over time, the level of this maintenance has deteriorated, leaving a legacy of deferred maintenance and low tenant morale. Management and maintenance of housing is a service - oriented business, but over time, the service aspect of the business has been neglected. Private markets are driven by competition, and the result is the consumer (or customer) benefits from higher quality services at lower prices. It also means that if the work is not done properly, the customer may terminate the work and hire another firm to do the job. What has been missing in the maintenance of housing is the element of competition.
- 3** In 1995, communal services prices (including rent) are being raised to more self-sustaining levels. With the raising of rents, both owners and tenants will demand improved management and maintenance services as a justification for the higher pricing.
- 4** As Ukraine moves toward a market economy, housing should be viewed as an asset. The management and maintenance of this asset should be viewed as a business, a business that can be profitable and respectable. In addition, with the emergence of a housing finance (or mortgage) market in Ukraine, lenders will require private management and maintenance in buildings that are mortgaged. Lenders will ensure that financed buildings remain in excellent condition for the duration of their loan, and high quality management/ maintenance is the vehicle that lenders use to protect the value of financed buildings.
- 5** The owners of privatized flats will demand alternatives to traditional maintenance in order to protect and enhance the value of their property. For example, a privatized apartment in a well maintained building is more valuable than a privatized apartment in a poorly maintained building. Home owners want attractive and safe common areas and are willing to pay extra for it.

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<sup>3</sup> The term private management will be used throughout this handbook to denote both the management and maintenance of the housing stock.

## Chapter 2

### The Goals Of Private Management

The primary goal is to implement competitive, high quality, private management and maintenance on a widespread basis in Ukraine's housing sector. This encompasses both privately - owned, municipally - owned, and enterprise - owned housing. To be effective, Private Management Programs must adhere to the principal of fair and objective competition in the award of contracts. It is this critical difference - competition - that distinguishes private management from monopolistic (or non - competitive) forms of housing management.

Secondary goals are as follows:

- ▶ To assess cost efficiencies and productivity gains by monitoring and evaluating the performance of private management and maintenance contractors.
- ▶ To survey the customer (owners and tenants) to measure their satisfaction with private - versus - municipal management and maintenance.

The goal of the private management program is not to eliminate Zheks. Some Zheks are high performers, however, there is great variance in Zhek performance levels. Many Zheks are barely marginal performers. A trend is emerging where Zheks aspire to become small business enterprises, and there is potential for privatized Zheks to adopt new real estate management techniques. Zheks, however, should begin to compete for business with private firms. Zheks should no longer be handed the work year after year, as if no other maintenance alternatives exist. Each Zhek should compete for their work and win contracts based on their merits in the market place. Zheks should also have the goal of being profitable.



## Chapter 3

### **Outline Of The Prerequisites, Implementation Schedule, And The Basic Elements Of A Private Management Program**

Implementation of a private management program typically takes 4 -6 months of diligent work, depending on the level of consensus to create a program and the initial scope of work to be placed under private management. These two variables - consensus and scope of work - can shorten or lengthen the time required to implement a program.

Consensus, or general agreement to try private management, is an essential prerequisite to launching a program. Without consensus, the concept will have fragmented and sporadic community support, making design and implementation of the program difficult, if not impossible, to achieve. It is strongly recommended that you take whatever time is required to disseminate program information to the key players (elected and appointed officials, housing professionals, fellow tenants or homeowners, etc.) to gain appropriate levels of consensus to support a program. A little preliminary work to build consensus will yield big benefits later on - it will ensure that your program proceeds in a timely fashion and with a minimum of controversy.

The initial scope of work (number of units to be placed under private management) should be sized to suit your needs, bearing in mind that the larger the initial scope of work undertaken, the more difficult it will be to manage. In addition, under private management, monitoring functions of the housing owner (both municipal and private) are rigorous and will require significant amounts of owners' time. Another factor will be how many private contractors are interested in bidding on private management work. If there are insufficient bidders for the work, you will experience program delays. You should realistically assess your capacity for private management and size your program accordingly.

Before getting into the details of designing and implementing a program, it will be helpful to review the basic components of a private management:

**Training.** This includes training of the housing owner (municipal and private) in the principals of general management and real estate management, and training of private firms in how to function as a profitable housing management business in the emerging housing market. This training is critical because owners and private managers did not exist in the past, and before entering into private management programs, they must understand their respective roles.

**Competition.** This includes organizing and conducting a competition to procure the services of a private management firm. This process is designed to announce the program to the community and to draw the attention of potential bidders for the work. It is also educational, in that potential bidders will be exposed to the program components and trained in how to write a bid proposal. The hallmark of any private management program is strict adherence to fair and objective competition in the award of all contracts. It is this critical difference - competition - that

distinguishes private management from monopolistic (or non - competitive) forms of housing management. The end product of competition is the signing of a contract between the owner and the private contractor.

**Monitoring.** This includes measuring the private contractors' performance against well defined performance criteria specified in the contract. Monitoring is a feedback system. It requires frequent meetings between owners and private contractors, with regular field verification of work results. Monitoring assesses the responsiveness of the private contractor and the effectiveness of the contractor's work plan. It evaluates the performance of work within specified funding and budget parameters. It examines the relationship between the contractor and the customer by using scientific surveys to assess customer (tenant or owner) levels of satisfaction with private management. Monitoring allows the owner to reward exceptional work with bonuses or to take corrective actions for unsatisfactory work. Corrective options include reducing or withholding contractor payments, and terminating contracts for chronically unsatisfactory work. A critical difference between private management and traditional management is that private contractors will be terminated for unsatisfactory performance and replaced by firms that can perform up to the owner's standards.

For your information, an implementation schedule used by the City of Kharkiv is included as Appendix B. This schedule involved the installation of private management in 8,000 units in three Micro - RAiON's.

## Chapter 4

### Steps To Implementing A Private Management Program

#### Step 1: Creating A Steering Committee

Before you implement a private management program, you must design it to suit your needs. The design process is an excellent vehicle for bringing key players together and can be used to facilitate consensus building. Early involvement of the players who will be critical to private management ensures their agreement with program goals and reduces conflict that might surface during implementation. Only after you are satisfied with program design and confident that you have the necessary program consensus, should you request an "Authorizing Resolution" from your City/RAiON/Oblast Executive Committee or Homeowner Association.

Your first step should be to identify who will design and implement private management. If you are a municipality, the question to answer is "What municipal department or division is best suited to be responsible for the program?". If you are a homeowner or tenant, you will need an association (with a board of directors) to represent the residents of your building.

A commonly used technique is to have your municipality or association appoint a "Steering Committee" to design and implement the program. Municipal Steering Committees typically consist of Housing and Communal Services Officials, RAiON Executive Committee Deputy Mayors for Housing, City Attorneys, and JAiO Chiefs. Association Steering Committees typically consist of homeowner or tenant activists who are willing to volunteer considerable time to the private management effort. The size of the Steering Committee should be small enough to be manageable, but large enough to involve key players. The Steering Committee should be chaired by someone with the authority to make critical decisions about program content, to require regular attendance of members, and to ensure timely completion of Committee tasks/assignments. The Steering Committee meets as often as necessary, until a work plan and implementation schedule are developed. The goal of the Steering Committee is to obtain formal program approval from a governing or legislative body having jurisdiction over the program - an Executive Committee or General Membership of an association.

Formal approval of the program should occur as early as possible. If the governing body has problems or issues with the way you have designed a program, it is better to identify the issues as soon as possible, and to revise your work plan accordingly. To ensure that the competition parameters are endorsed by the governing body, approval should occur no later than the solicitation of bids. Never implement private management unless you have received formal approval to start a program. A sample of a governing body's Authorizing Resolution is included as Appendix C.

The first priority of a Municipal Steering Committee should be to identify who will serve as the agent of the municipal owner for the program. This agent becomes the "owner" for purposes of

contract signing and performance monitoring. The JAiO has successfully played this role in the demonstrations, but any municipal entity involved with housing on a day - to - day basis can play this role. Because monitoring of contractor performance is required of this contractual "owner", it is helpful to designate an entity having ready access to the housing and who is accustomed to working at housing sites.

The first priority of an Association Steering Committee should be to decide whether homeowners want to self - manage or contract with a private firm. Please note that associations must be legally registered entities to enter into agreements with service providers. The process of forming an association and registering as a legal entity is complex. A discussion of condominium formation and how to self - manage is beyond the scope of this handbook and interested readers are referred to the forthcoming PADCO Condominium "How To" Manual for further information.

<sup>4</sup> For associations wishing to contract for private management, you should follow the municipal design and implementation procedures outlined in this handbook.

In addition, the Steering Committee's scope of work includes the following:

- ▶ *Training* - Who will be trained? What is the training curriculum? Who will conduct the training?
- ▶ *Drafting Documents* - Drafting the Authorizing Resolution, Solicitation Letter, Request For Proposals (RFP), Contract, Interview/Selection Guidelines, Inspection Checklist, and Announcement To Tenants/Owners.
- ▶ *Conducting the Competition* - Reviewing contractors' proposals, conducting interviews, organizing Selection Committees, and selecting winners.
- ▶ *Funding* - Identifying adequate and timely funding sources, indexing payments for inflation.
- ▶ *Media Relations* - Press Releases, Press Conferences, participation in interviews/television programs/radio programs that explain and introduce the program.
- ▶ *Monitoring* - Drafting model progress reports, designing attitudinal surveys, hiring independent survey teams, reporting results to owners and contractors.

The Municipal Steering Committee may find itself playing the arduous role of coordinator between numerous municipal departments and divisions that are involved in the program. One strategy that has proved successful in the City of Kharkiv is to create an "Office of Housing Reform" to serve as a single point of contact for private management and other housing/land

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<sup>4</sup> "Municipal Guide On How To Create Condominium Associations", PADCO (release scheduled for late 1995).

reforms. This Office assumed responsibility for all program coordination and acted as full time staff to the Steering Committee. As a result, issues were promptly addressed and the design/implementation process was streamlined.

With a Steering Committee formed and functioning, the stage is set for you to implement the program components that have been previously discussed. What follows is a detailed implementation strategy for each of the basic program components and a description of USAID/PADCO technical assistance that can assist you in the implementation process

## **Step 2: Training Of Municipal Owners And Associations, Associations, and Private Contractors**

The transition to private management markets will require new management techniques and attitudes toward the workplace. Training is an important step in the private management process, and is potentially available for both owners and private contractors as a technical assistance option from USAID/PADCO. The focus of the training is on the treatment of real estate as asset, and that the value of the asset can be preserved through the exercise of good management techniques. The training emphasizes that shelter is a basic need, and that property management/maintenance is an important part of satisfying that need. The training teaches that property management/maintenance is a business that should be respectable and profitable. A description of the training and materials is included in Appendix D.

## **Step 3: Selecting the Bid Packages <sup>5</sup>**

The first step is to select the housing that will be placed under private management. This housing will be grouped into what is known as "bid packages" - increments of housing that will be offered to private management contractors. Each bid package must be carefully sized, so as not to contain too few or too many units. Too few units in a bid package will yield small profit margins for private contractors, and you will have difficulty attracting qualified bidders. Too many units can overwhelm the capacity of fledgling private contractors, and you will also have difficulty attracting bidders. Ideally, each package will be equal to one Micro - RAiON (2,000 - 4,000 units), and the buildings will be in one compact, contiguous area. If the buildings in a bid package are scattered among many neighborhoods and separated by many kilometers, you will have a premium for the management service, and still, you may have great difficulty attracting bidders. Finally, commitment to the goals of the Program is important, so the Micro - RAiON's you select must be supportive of the concept.

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<sup>5</sup> After the training phase is complete, you are ready to procure (or acquire) private contractors to perform the work. This component consists of organizing and conducting a competition, selecting the best qualified bidders, and executing contracts with the winning private contractors. The "procurement phase" consists of Steps 3 - 15. A complete technical assistance package is available to guide you through the procurement process.

## **Step 4: Calculating the Funding for Each Bid Package:**

Your second step should be to calculate the funding based on the characteristics of the housing in each bid package and the private contractor's scope of work. Accurate calculation of the funding required for each bid package is of critical importance to the success of any private management program. Contract funding will vary based on the number of units, the age of the buildings, the type of construction, etc. The amount of work required of the contractor will also determine the level of payment - the larger the scope of work, the more it will cost. Funding is calculated on a karbovanets per square meter per month basis, and some mechanism must be adopted to index funding for inflation. Typically, the official national inflation indices are used to adjust contractor payments. Funding should be calculated to give a reasonable profit to the private contractor. With the austere funding environment in Ukraine, it is unlikely that funding will be too high. Be careful, however, not to make funding too low, or else, you will not attract qualified bidders. A fair profit margin for private contractors is in the 12 - 15 % range over the actual cost of managing and maintaining the buildings in each bid package. When the competition for work in your market is intense, you will find that private contractors are willing to work for less than the typical profit margin.

The two methodologies for funding contracts that have evolved in Ukraine are:

- ▶ A "fixed price" contract where the contractor's profit (or fee) is included in a monthly payment. This has become known as the "Kharkiv Model".
- ▶ A "percentage" contract where the contractor's profit is a percentage of residential and commercial income (rent) collected. This has become known as the "Odessa Model".

A third methodology has yet to be tried - a "fee per unit per month" contract where the contractor receives a fee for all units (or for only occupied units) under management.

A word on funding of "fixed price" contracts: The City computes a funding target based on Karbovanets per square meter per month. This number is indexed for the scope of work performed by the contractor. Contractors may not bid higher than this ceiling amount. Of course, if a bidder can realistically bid lower, it gives a competitive advantage to that bidder.

The Kharkiv Model (fixed price contract), leaves the rent collection function with the municipality. Each month, the contractors receive a fixed payment and periodically it is indexed for inflation.

The Odessa Model gives the private manager the responsibility for collecting rents in both residential and commercial properties in the bid package. The contractor's profit is based on a percentage of rents collected (this is 3 % in Odessa). The firm has the right to renegotiate all leases, with the goal of raising commercial rents to a market level. The firm also has a strong incentive to collect rents, because their profit depends upon it. Please note that this format works only when there is sufficient commercial rent to fund the contract. In suburban neighborhoods, there may be insufficient commercial establishments to allow for this methodology. This model

also requires the municipality to delegate its commercial leasing functions to the private contractor, permitting all commercial lease payments to flow through the contractor's bank account. Using this model, the contractor is a "conduit" between the commercial establishments and the municipality, with the contractor taking 3 % of the lease payments.

## **Step 5: Issuing A Press Release And Conducting A Press Conference**

The next step is to coordinate with the media to get your message out into the community. The goals of the Press Release and Press Conference are:

- ▶ Calling a Press Conference at the outset of the program announces to the population that you are undertaking a private management, highlighting its benefits. This is an educational function.
- ▶ The Press Release ensures that accurate information is given to the media, and it attracts the attention of bidders to the competition, without having to pay for expensive advertising. This is a solicitation function.

The media finds the "story" of private management an interesting one to tell. Private management has great potential to enhance quality of life, and this is a story of interest to everyone. Be aware of this "interest" factor and use it to your advantage to get free advertising for the program.

You should utilize existing media centers or press clubs within your community. Establishing a relationship with these media liaisons can be of great help in telling the private management story. The media will be interested in the progress of the program as it evolves, and it is recommended that program information be freely distributed to the media throughout the entire process.

As with any new program, misinformation and rumors may surface. One rumor may circulate claiming the program is an attempt to purchase buildings, displace tenants, and resell the buildings with huge profits. Another rumor may be that the program is an attempt to attract foreign management firms to make huge profits. Of course, this is false, and you should utilize the media to dispel any rumors.

A sample of a media Press Release and Invitation To Bid are included as Appendix E and F.

## **Step 6: Issuing The Request For Proposals (RFP) And Soliciting Bids**

A Request For Proposals (RFP) is the recommended technique for soliciting private contractors. An RFP serves several functions:

- ▶ Solicitation - It announces the competition and invites interested firms to bid.
- ▶ Informational - It gives detailed information about the work and specifies a standard bid format.
- ▶ Qualifying - The response to the RFP will be used to rate the bidder's ability to do the work.
- ▶ Pricing - The contractor will bid a certain price to perform the work.

An RFP is developed and made available to all interested bidders (and members of the public and media). The RFP may be long because of the need to explain the program and the procurement process. The RFP should be structured to also be a training guide on how to write a proposal.

In the Introduction to the RFP, you should attempt was made to contemplate bidders' questions and to give certain assurances regarding the Pilot. Particular care should be given to stipulating funding guaranties and fairness in the selection procedure. The format for writing a proposal should be presented in a detailed outline that coaches bidders through the process.

Bidders should be instructed to include two major proposal sections:

- ▶ The Technical Section - This asks for information regarding how the work will be done. The bidders' experience, and a list of work references are requested. Fiscal information is requested to ensure that bidders have sufficient financial strength to undertake and complete the work. A work plan is required to explain how bidders intend to handle the management tasks. Specifics, such as staffing, sub-contracting, work order mechanisms, inventory control, and tenant relations are requested. In keeping with a "results" oriented philosophy, a bidder can use any methodology to perform the work, as long the owner's goals are achieved.
- ▶ The Cost Section - This asks for information regarding how the work will be priced and what fiscal controls will be used. Detailed information is requested on salaries, materials, equipment, sub-contracts, office expense, seasonal expense, and start-up expenses. If fixed price contracts are used, cost proposals are required to include overhead and profit. Maximum bid costs are quoted in the RFP for each bid package; this caveat insures that bids do not exceed available funding. The bid ceilings are calculated using historic data adjusted for inflation to current costs. A budget format may be stipulated for the proposals. Bidders are reminded that cost is a critical component of the selection process and that to be competitive, they should not bid the maximum allowable cost. Again, in keeping with the "results" philosophy, bidders may use as many or as few staff as desired, and they may pay staff more or less than is customary - as long as the owner's goals are achieved. The RFP introduces the concept that the bidder with the highest qualifications and the lowest realistic cost will win.<sup>6</sup>

The RFP outlines the scope of work that a bidder is expected to perform. Private contractors are typically responsible for the following work items:

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<sup>6</sup> A commonly used benchmark for funding private management is to use the equivalent of what is paid to Zheks. Private contractors are able to make profits at the same Zhek funding levels because the private sector typically uses 50 % less staffing (than Zheks) to perform the work.



- ▶ Current Repairs - routine and emergency service requests; general and ordinary maintenance to building interiors and exteriors; painting; cleaning; electrical; and plumbing repairs. It is recommended that all routine requests are handled within 24-hours, and all emergency requests are abated or cured within 24-hours.
- ▶ Grounds Maintenance - litter removal, snow removal, grass cutting, and landscaping.
- ▶ Refuse Removal - sites, interiors, and exteriors should be clean at all times. An attractive image of the properties should be a performance factor.
- ▶ Selective Preventive Maintenance - items such as light bulbs in common areas should be periodically replaced.
- ▶ Heating Networks - the repair and testing of building interior networks.

Contractors are not be responsible for capital repairs or leasing of apartments, unless it is specified in the RFP.

Bidders have the right to hire and fire personnel, set salaries, and determine staffing levels. The work should be "results oriented", not "process oriented". How the job is done should not be a concern of the owner; what is of primary importance is the results achieved. The owner should not care whether the contractor employs one janitor or ten; nor should the owner care whether the janitors are the highest paid in town. What the owner does care about is whether the entry ways are clean, whether the snow and ice are promptly removed, and whether the hall lights are in working order.

You should designate one person as responsible for receiving requests for RFP's and distributing the document. This person should be available during all business hours, and a contact telephone number for requesting RFP's should be widely disseminated to the media and through the solicitation letter. A list of all RFP inquiries and firms to which the RFP was distributed should be diligently maintained by the RFP contact person; this list should include the names of firms and telephone numbers of the interested firms. This list will be an invaluable resource to track interest in the program and may be used for follow - up contacts with firms.

A sample RFP is included as Appendix G.

## **Step 7: Conducting The Pre - Bid Conference**

A Pre-Bid Conference should be held to review the purpose of the Pilot, to give instructions on how to write proposals, and to answer questions. All interested bidders and public are welcome to attend. The Pre - Bid Conference is an excellent vehicle to assess the level of interest in the program. Interested bidders will be in attendance, and if the number of bidders is low, you should consider redoubling your media outreach efforts. The Pre - Bid Conference is also an excellent

opportunity to "sell" the program to firms that may be present because they are curious about the concept.

The Pre - Bid Conference should occur at least one month before the proposals are due. This will allow sufficient time for firms to learn about the program and decide whether they will bid. During the Pre - Bid Conference, you should review the RFP requirements in detail and answer any questions the bidders may raise. Anyone is welcome to attend this meeting, including members of the media and general public. Attendance at the Pre - Bid Conference should not be mandatory for bidders; making attendance mandatory is counterproductive because it will eliminate those firms that hear about the competition in the interim period between the Conference and when bids are due.

To allow for existing conditions to be recognized, site inspection tours for all interested bidders should be held within several days of the Pre - Bid Conference. As the contractor's work progresses, this data will be periodically updated to determine changes in the building conditions. This data also ensures that Contractors are not unjustly penalized for pre-existing conditions that are beyond their contractual responsibility.

A sample of a Pre - Bid Conference Agenda and a Plan for conducting the meeting are included as Appendices H and I.

## **Step 8: Receiving The Proposals (Bids)**

The RFP should give a place, date and time by which all proposals are due. Proposals should be received and tabulated in an open forum. One official should open the proposals in front of everyone present, and another should record the results on a form called a bid tabulation summary. The names of all firms submitting proposals should be recorded, along with the amount of their bid.

If more than one bid package is up for bid, it is customary to allow a firm to bid on one or all bid packages.

Under no circumstances should a proposal ever be accepted after the deadline for submission. All late proposals should be returned unopened to the submitting firms. Even if a proposal is one minute late, it should be rejected. To accept proposals after the deadline is not fair to those firms who worked to get their proposals in on time. In addition, accepting late proposals creates opportunities for bid fixing and collusion among bidders.

A sample of a Bid Tabulation Sheet is included as Appendix J.

## **Step 9: Convening An Interview/Selection Committee, Analyzing The Proposals, Conducting Interviews And Rating The Bidders**

A Committee should be appointed by the governing body or Steering Committee to analyze, interview, and select private contractors for each bid package. The Committee should consist on an odd number of persons in order to avoid tie decisions. The Steering Committee may have a dual function by also serving as the Interview/Selection Committee. At least one representative official or housing professional from each bid package district should be represented on the Selection Committee. Copies of proposals should be distributed to all members of the Selection Committee for review prior to the interviews. Every member of the Committee should be thoroughly with each bidder's written proposal.

All qualified bidders should be interviewed. Those bidders deemed not to meet minimum qualification standards may be eliminated from the interview process, but the Committee should let any eliminated firm know why they were not qualified. In case there are challenges regarding qualifications, the Committee should have a clause in the RFP stating that "the owner, in his sole discretion, may reject any and all bids".

The purpose of the interview is to assist the owner in obtaining information regarding the qualifications of the bidders. You should use the interview as an opportunity to confirm and clarify information given in the written proposal. During the interview, you may gain additional insight into a bidder's qualifications, and you may assess the bidder's level of preparation and professionalism. In addition, you may use the interview situation to evaluate the bidder's ability to communicate orally.

Interview guidelines should be agreed upon and followed by the Committee. Bidders should be rated as specified in the RFP. An objective, numerical rating scale should be used, and written records of each member's rating scores should be kept.

It is recommended that the following rating scale (or one similar) be used by the Committee:

<u>CRITERIA</u>	<u>POINTS</u>
Experience	20
Staffing	15
References	10
Plan	20
Cost	25
Interview	+ <u>10</u> 100
Bonus for Completeness of RFP	+ <u>10</u>
<b><i>TOTAL POSSIBLE POINTS=</i></b>	<b><i>110</i></b>

Please note that the interview is worth 10 points on the overall evaluation scale. If at all possible, the references should be checked before the interview.

Sample interview guidelines and rating sheets are included as Appendix K and L.

## **Step 10: Selecting The Winners Of The Competition**

The winners should be selected in strict accordance with the Selection Committee's composite scores. The Committee should not be subject to any outside influence in making their decisions. All decisions of the Committee shall be final and binding.

The Committee may request site visits to housing already managed by bidders to verify the quality of their work. The Committee may also request field visits to bidders' work facilities to verify the capacity of the firm to perform the work.

If two or more bidders are rated so closely that a consensus does not emerge as to which is clearly the best, a "Competitive Negotiation" should be held to determine the winner. In a Competitive Negotiation, the Committee will conduct another round of competition with the "tied" bidders to determine the winner. This process should focus on the specific areas in which it was difficult to judge one bidder as a distinct winner.

The results of the competition should be announced immediately upon the conclusion of the Committee's work. Each bidder should be notified of the outcome, and if requested, individual meetings should be held with unsuccessful bidders to critique their shortcomings. All unsuccessful bidders should be encouraged to bid in the next round of private management offerings. The results of the bidding should be made available to the media, and a Press Release issued.

## **Step 11: Negotiating Contracts With The Winners**

The contract developed by the Steering Committee should be reviewed with the winning bidders. Contractors have should be thoroughly familiar with the contract and be able to negotiate contract language with the owner. The contract should be reviewed and approved by the municipality's attorney before it is signed. A standard contract should be used for all bid packages.

At a minimum, the contract should include the following provisions:

- ▶ The purpose
- ▶ The general responsibilities of the owner and private contractor
- ▶ The private contractor's specific scope of work
- ▶ The contract term and renewal provisions
- ▶ Method of payment and payment schedules; late payment penalties
- ▶ Performance standards
- ▶ Penalties for unsatisfactory performance
- ▶ Termination procedure
- ▶ Signatures of responsible representatives of the owner and private contractor, with stamps

The contract should stipulate that the private firm have its own bank account for the deposit of contract payments. Payments may be delayed, reduced, or withheld for unsatisfactory performance.

Three categories of performance - outstanding, satisfactory, and unsatisfactory - are recommended. To define performance standards, an operational definition section should be considered. Some incentive, such as a bonus payment for outstanding performance, is recommended. For unsatisfactory performance, the private contractor risks contract termination, unless performance is improved within a reasonable period of time.

The contracts should stipulate that no termination shall occur until every effort to cure deficiencies has been exhausted. Regular monitoring and meetings should be mandated, so that if problems occur, there will be ample warning. Long before matters reach a crisis stage, there should be ample time to correct problems, so that contracts can remain in effect. The goal is to gain long-term experience and to assist the owners and contractors in developing their skills. However, if necessary, owners should be prepared to cancel contracts and solicit new contractors.

Contractors should not be forced to hire Zhek workers who previously serviced the units placed under private management. In all probability, the contractor will invite some of the better Zhek personnel to work in the private firm, however, this should be at the option of the contractor. The municipality should consider transferring Zhek workers who will be unemployed to vacant positions in other Zheks.

Zhek workers should not forfeit service flats when private management supersedes a Zhek. Any Zhek worker transferring to a private firm should be allowed to retain his or her previous service flat as long as their performance remains satisfactory. It is not recommended that the private contractor be awarded new service flats for private management workers; it is preferable to directly compensate workers with higher salaries, rather than indirectly with service flats.

A sample Contract (agreement) is included as Appendix M.

## **Step 12: Inspecting The Buildings**

Before the contract is signed, the owner and contractor should jointly inspect buildings to be placed under private management to determine the existing conditions. The results should be recorded on a standard inspection checklist and kept on file. Inspections are essential:

- ▶ To identify and agree upon deferred capital repair needs
- ▶ To protect both owner's and contractor's interests in the event a dispute arises over who is responsible for what. The inspection clearly pinpoints what the condition of the building is when the contractor assumes responsibility. All existing defects remain the responsibility of the owner.

A sample Inspection Checklist is included as Appendix N.

## **Step 13: Executing Contracts**

It is recommended that contracts be signed at a "ceremony" that is open to the public and media. Contracts should be signed in two copies - one original for the owner and another for the private contractor.

## **Step 14: Notifying Tenants/Owners**

Announcements should be made to tenants/owners informing them of the purpose of the program, and giving them the names/telephone numbers of the new private contractors. Announcements should be posted in building lobbies and put in every tenant's mailbox.

A sample of the Announcement To Tenants/Owners is included as Appendix O.

## **Step 15: Issuing The "Notice To Proceed" With The Work**

It is not realistic to expect private contractors to start work on the very day that contracts are signed. Some reasonable interim period (30 days is customary) should be given to allow contractors to hire staff, to obtain necessary supplies/equipment, and to set up site offices. The interim period also allows the owner to make office, workshop, storeroom, and dispatcher space available to the contractor.<sup>7</sup> To provide this extra time, it is recommended that you use the "Notice To Proceed" procedure: After contracts are signed, a contractor is not authorized to start work until the owner issues the Notice To Proceed.

A sample of the Notice To Proceed is included as Appendix P.

## **Step 16: Performance Monitoring**

Program results should be assessed through regular monitoring of the contractor's performance and feedback from the tenants/private owners.

Performance is measured against the contractor's approved work plan and budget. In addition to holding regular meetings with the contractor, the municipal or private owner should make regular inspections to assess and verify site conditions.

Performance indicators include:

- Contract compliance
- Routine/emergency service response times
- Budget compliance, particularly cost savings
- Building conditions
- Site conditions
- Correction/removal of hazardous conditions
- Appearance of the building common areas and grounds
- Operational readiness of building systems
- Tenant satisfaction

Owners and contractors should meet regularly to review the performance indicators. The meetings facilitate good communication and coordination between the owners and contractors. This ensures that problems are identified and addressed before developing into crisis situations. In these meetings, contractors are encouraged to anticipate problems and to discuss "trouble-shooting" strategies. The meetings foster two-way feedback that allows the contractors to also make comments regarding the owner's performance.

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<sup>7</sup> The transfer of the dispatcher function and dispatcher's point to the private contractor is an option of the municipal owner.

Site visits are used as an opportunity to meet with tenants/private owners and to solicit feedback regarding performance. Any deficiencies should be addressed by the contractors and targeted for follow-up inspection.

A critical performance measure is the service request response time. Contractors are required to submit monthly work order reports that summarize activities, including the number of routine/emergency requests and response times. All work orders are reviewed by the owners, and a sample should be selected for field checks. Work order information should be verified, such as:

- Was the response time correct?
- Was the work performed satisfactorily?
- What materials were used?
- How long did it take to complete the work?
- Was there a service charge? If so, how much?
- Did the worker cleanup any dirt or clutter caused by the work?

Tenant satisfaction is the most critical measure of program success. All other indicators may have pointed to success, but if tenants are not satisfied with the results, a major goal of the program will not be achieved. To assess tenant satisfaction, surveys of samples of units included in the initial program should be conducted to measure "before" and "after" results. "Before" surveys are taken before private management begins to assess satisfaction with Zhek services. "After" surveys are taken to assess satisfaction with contractors after the program is established.

USAID/PADCO will provide technical assistance to conduct one "before" and one "after" survey of your initial program effort. An experienced survey team is available to assist you with drawing a sample of units included in the initial program and will provide a survey instrument suitable to your needs. The team will also provide you with the analysis of the data in the form of a report. As part of PADCO's survey agreement, you should provide a minimum of two trainees who will be trained by the survey team to conduct future surveys in your community. The results of the initial survey will be used to make a decision on the expansion of your program.<sup>8</sup>

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<sup>8</sup> A sample of the survey instrument is available upon request from the PADCO Kharkiv Office.



## Chapter 5

### USAID/PADCO Technical Assistance

Technical assistance is available at certain key points in the implementation process as follows:

#### 1. Optional Available Training of Owners and Contractors:

- Training of owners: PADCO may provide Ukrainian trainers; one training cycle typically requires a commitment of 5 training days.
- Conduct training of the private contractors: PADCO may provide Ukrainian trainers; typically requires a commitment of 2 training days.

*Note* - Part of the USAID/PADCO training methodology will be to utilize the concept of "training of trainers" whenever possible. This means that training may be offered once in a community, and within the context of that training, we will train local trainers to serve as future training resources. This gives roll-out Cities the local capacity to conduct future training as required, and maximizes the potential for program expansion.

#### 2. Procurement of the Private Contractors:

Some technical assistance may be provided for each step, with some steps requiring more than others. To implement a program, the total amount of technical assistance provided may be as much as 2 man months per City. Technical assistance will be provided by experienced Ukrainian Private Management Program Specialists.

To reiterate, the steps in the procurement process are as follows (the more critical and intense technical assistance points are indicated by \* ):

- Selecting the bid packages
- Calculating the funding for each bid package
- Issuing a Press Release and conducting a Press Conference \*
- Issuing the Request For Proposals (RFP) and soliciting bids
- Conducting the Pre - Bid Conference \*
- Receiving the Proposals (Bids)
- Convening An Interview/Selection Committee, Analyzing The Proposals, Conducting Interviews and Rating The Bidders \*
- Selecting the winners of the competition \*
- Negotiating Contracts with the winners \*
- Inspecting the buildings
- Executing Contracts \*
- Notifying tenants/owners

- Issuing the "Notice To Proceed" with the work

### 3. Performance Monitoring:

- Conduct Satisfaction Surveys: PADCO may provide a Ukrainian survey team. The team typically conducts one "before" and one "after" survey of the initial program effort. They will assist in drawing a sample of units included in the initial program and will provide a survey instrument. The team will also provide an analysis of the survey data in the form of a report. The time and level of effort to conduct the survey, analyze data, and write the report will vary depending on the number of units included in each roll-out location; typically every 12th unit is sampled.

*Note* - Part of the USAID/PADCO monitoring methodology will be to develop local surveying capacities whenever possible. Each roll-out location will provide a minimum of two trainees who will be trained to conduct future surveys.

- Program Assessment/Evaluation: PADCO may provide a Ukrainian Private Management Program Specialist to facilitate progress meetings and mediate disputes. The estimated level of effort is 15 man days per roll-out location spread out over the initial contract term (1 year).

## Chapter 6

### Lessons Learned From The Demonstration Programs

- ◆ Do not ignore the media or view the media as the "enemy". To get the private management story told, involve the media as soon as possible. Don't wait until the procurement phase to outreach to the media. The media can be your strong ally in introducing and implementing a private management program. Get to know your Press Secretaries, Press Clubs and Media Centers. Brief them on the program and make yourself accessible to them as the program evolves.
- ◆ Do not limit the focus of the private management program. Focus on regional level, city level, and district level officials. All of these administrative and legislative levels are interrelated. To focus on only one will fragment your program and may cause jurisdictional and funding disputes during the implementation phase. It is strongly recommended that you coordinate the program at all levels. The better the understanding of the program at all levels, the better the chances of success.
- ◆ Do not ignore the Zheks. Hundreds of thousands of workers are employed in the Zhek system, and by their sheer numbers, they can pose a formidable obstacle to program implementation. Explain the program to interested Zheks and build partnerships with them. Many program elements are attractive to Zheks. If you ignore the Zheks, misinformation and rumors about the program are certain to interfere with program implementation.<sup>9</sup>
- ◆ Do not ignore the "unemployment" issue. The private management program is not designed to eliminate Zheks or to cause widespread unemployment of Zhek workers. It is designed, however, to introduce competition into a service area that everyone freely admits is suffering from malaise. In the process of introducing and expanding the private management program, low performing Zheks and their workers will face employment difficulties. One way of explaining this is to truthfully say that low performance should have never been tolerated in the first place, and now after years of declining service levels in housing management, something is being done to address the issue.
- ◆ Do not superimpose unrealistic expectations upon the private management program. It took almost 75 years for the traditional management system to reach its current state. Private management is an improvement, but it is not a panacea for all of the system's ills. Before the housing sector becomes a true market, other service providers, such as the rubbish removers and the lift maintainers, must also be de - monopolized. You can not

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<sup>9</sup> An informational package is available upon request from the PADCO Kharkiv Office on how Zheks can privatize and compete in the private management program.

realistically expect private management to "fix" all that is wrong with the system overnight  
- it will take time and a transitional period should be anticipated.

- ◆ Do not fund private management last. Zheks may be able to wait 2- 3 months for their salaries, but private contractors will go bankrupt, if they are not funded on a timely basis. Make provisions for funding of your contractors, and fund them first. If the program is to have a fair chance of being tested, it must be funded.
- ◆ Beware of contractors who submit bids that are ridiculously low. Some unscrupulous contractors will intentionally submit low bids, knowing that they can not do the work for such a low price. These contractors are hoping to sign contracts, and then demand higher payments. If you detect such bidding tactics, reject those bidders.
- ◆ Create additional revenue incentives for private contractors. For example, if a contractor is qualified to repair lifts, consider packaging lift repairs with the general management contract. Consider other revenue incentives for contractors, such as rubbish removal and capital repairs. The additional revenue incentive will broaden the appeal of the program and create strong competition for the work.

## Chapter 7

### Private Management Perspectives

No matter what your perspective - elected or appointed official, housing and communal services professional, private owner, or tenant - private management has "something for everyone". As you consider the program, think about its broad appeal, and what it can do for you:

- **Elected Or Appointed Officials:**

- Private management can enhance your popularity with constituents. Tenants and private owners are fed up with low levels of service from the traditional system. They suffer from low moral and want the higher quality of life that comes with private management.
- Private management can open the door for economic development in your municipality. Private management is an entirely new business sector, and one that has tremendous growth potential. As the private housing market emerges, those municipalities that can respond quickly to the new management needs will be in the best position to attract investment. A solid base of private contractors will assist your municipality in attracting housing construction, housing finance, and new businesses that depend upon good housing conditions for their employees.

- **Housing And Communal Services Professionals:**

- Private management can raise tenant and private owner satisfaction with management services and decrease the number of people waiting for you on "complaint days".
- Private management is more productive and allows you to further stretch your limited budget resources. In other words, you can do more, even if your funding is not increased.
- Private management markets will evolve out of economic necessity, and those professionals that can make an early transition to a competitive environment will be best positioned to survive in the new market.

- **Private Owners:**

- Your privatized apartment is an asset that has a certain market value. The first determinant of the value is the location of the apartment - some locations being more desirable (and more valuable) than others. The second determinant of value is the quality of the management and maintenance of common areas in your building. You may have an immaculately maintained apartment interior, but if your building common areas are dirty

and vandalized, the value of your apartment will be diminished. The best way to protect the value of your asset is through high quality, private management. It may cost you more, but it will ensure that your asset retains high future value.

- Private management allows you to control your destiny. If you want responsive management, high security for your family, and an attractive living environment, private management can provide it.

- **Tenants:**

- Your rent payments are being increased to cover more of the operating costs of your housing. As rents increase, you should expect to receive better management and maintenance services. As a tenant living in a building under private management, you can expect the following:

- To request a repair and to receive prompt service after the first request.
- To have work done properly with good quality materials.
- To receive courteous service.
- To pay a fair charge for the work and not have to "tip" the worker.
- To have clean and safe common areas in your building.

## **Chapter 8**

### **Conclusion**

Regardless of your perspective, private management has much to offer. The time is right for private management in Ukraine. With your commitment to try the program, USAID and PADCO are ready to provide the technical assistance necessary to implement private management in your community.

# **APPENDICES**



## APPENDIX A

# **A GLOSSARY OF REAL ESTATE TERMS**<sup>10</sup>

**APARTMENT or UNIT**- A dwelling space within a multifamily structure, generally provided as rental housing. An apartment building is a structure with individual apartments but a common entrance and hallway.

**BANKRUPTCY**- The financial inability to pay one's debts when due.

**COMMON AREAS**- The areas of a property that are used by all owners or tenants. For example:

- The hallways and stairs of an apartment building
- The elevators

**CONDOMINIUM**- A system of ownership of individual units in a multi - unit structure, combined with joint ownership of commonly used property (sidewalks, hallways, stairs, etc.).

**CONDOMINIUM ASSOCIATION**- An organization of all unit owners in a condominium to oversee the common elements and enforce the bylaws. For example: When Ivan and Ludmila purchase a unit in a condominium, they are automatically members of the owners association. As such, they are entitled to vote on decisions before the association regarding changes in the bylaws, development and maintenance of the common elements, and other matters. They are also required to pay a monthly fee to cover expenses of the association.

**CONTRACT**- An agreement between competent parties to do or not to do certain things for a consideration (usually money).

**DEFERRED MAINTENANCE**- A lack of normal upkeep. For example: broken window glass, leaking roof, peeling paint, etc.

**EXECUTE**- To sign a Contract.

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<sup>10</sup> Friedman, Harris, and Lindeman, Dictionary of Real Estate Terms, Barron's Educational Series, 1987.

**EVICTION**- A legal proceeding by a landlord (lessor) to recover possession of property. For example: When the tenant fails to comply with the lease agreement (skipping rent payments, unauthorized use of the property, etc.), the landlord may seek eviction of the tenant. If successful, this action will terminate the rights of the tenant to use the property.

**HOMEOWNERSHIP**- The state of living in a structure that one owns. For example: Homeownership is the goal of many families. It provides security from the decisions of landlords, pride of ownership, and investment advantages in exchange for undertaking the responsibilities of a property owner.

**LANDLORD/LESSOR**- One who rents property to another; a lessor. A property owner who surrenders the right to use property for a specific time in exchange for the receipt of rent.

**LEASE**- A contract in which, for payment called rent, the one entitled to the possession of real property (lessor) transfers those rights to another (lessee) for a specified period of time.

**LESSEE**- A person to whom property is rented under a lease. A tenant.

**MAINTENANCE**- Activities required to compensate for wear and tear on a property. For example: Among the duties of property management is maintenance of the property. This includes routine upkeep of the building, repair and periodic painting as needed, keeping all mechanical parts in working order, and landscaping.

**MAINTENANCE FEE**- An assessment by a condominium association to pay costs of operating the common elements.

**MANAGEMENT AGREEMENT**- A contract between the owner of property and someone who agrees to manage it.

**MULTIFAMILY HOUSING**- A type of residential structure with more than one dwelling unit in the same building. Multifamily housing may be tenant-occupied, owner-occupied (as in a condominium property), or mixed.

**NEGOTIATION**- The process of bargaining that precedes an agreement. Successful negotiation generally results in a contract between the parties.

**OPERATING EXPENSE**- Amount paid to maintain property.

**PROPERTY-** 1. The rights that one individual has in lands to the exclusion of all others.  
2. Real estate.

**PROPERTY MANAGEMENT-** The operation of property as a business, including rental, rent collection, maintenance, etc.

**REAL ESTATE-** 1. In law, land and everything more or less attached to it. Ownership below to the center of the earth and above to the heavens.  
2. In business, the activities concerned with the ownership and use of property.

**REAL PROPERTY-** The rights to use real estate. Sometimes defined as real estate.

**RENT-** A charge for the use of space.

**RISK-** 1. Uncertainty or variability. The possibility that returns from an investment will be greater or less than forecast.  
2. The possibility of a loss.

**TENANT-** One who is given possession of real estate for a fixed period or at will.

**TENANCY-** The right of possession of real property.

**TERMS-** Conditions and arrangements specified in a contract.

**VACANCY RATE-** The percentage of all units or space that is unoccupied or not rented.

**VACATE-** To move out.

**VALUE-** The worth of all rights arising from ownership. For example: A property may have a certain value to its owner equal to the amount of money that the owner would be willing to accept in exchange for the property.

## APPENDIX B

# CITY OF KHARKIV: PRIVATIZATION OF MANAGEMENT PROCUREMENT/CONTRACTING SCHEDULE 1995

<b><u>DATE</u></b>	<b><u>EVENT</u></b>
Feb 1 - 28	Publicizing Of The Invitation To Bid/Request For Proposals (RFP)- Press Release(s), Newspaper Articles, Media Appearances, Executive Committee Approval
Mar 9	Pre-Bid Conference at Housing & Communal Services Department Auditorium at 10:00 AM
10	Inspection Tour Of Buildings
17	Proposals Are Due
21	Interviews
22-23	Competitive Negotiations (If Required)
22-24	Review of Contract, Budgets, and Work Plans
31	Contract (s) Signing Ceremony
Apr 1-30	<u>Owner</u> to provide Office Space, Warehouse, and Telephones.  <u>Contractor</u> to hire staff and procure necessary supplies/equipment.  Announcements to Tenants
May 1	JAIo's Issue Notices To Proceed/Work Begins

Issued: March 1, 1995



## **APPENDIX C**

## **APPENDIX D**

### **Description Of Training And Training Materials**

#### **Training Of Owners:**

The target participant for training is the municipal official, housing professional, or private owner who will have responsibility for implementing/monitoring the program and fulfilling the role of the owner.

Training stresses two elements: management skills and property maintenance. It gives owners skills in basic management and focuses on the area that most urgently needs improvement - maintenance. Improvement in the maintenance function is immediately apparent and should quickly result in measurable increases in satisfaction. This narrow program focus also means less systemic change for the housing sector, and the impact of the change will be more manageable.

The course consists of 12 sessions: 5 basic management sessions and 7 real estate sessions. All sessions are tailored to the owner as the trainee. The first 5 sessions are devoted to management, with an emphasis on productivity and management by objectives (MBO). Leadership styles, good communication skills, good coordination skills, and an awareness of the power vested in work groups (formal versus informal) are stressed in the training. Whenever possible, the management exercises are tailored to real situations and potential problems that are encountered in managing/maintaining the housing stock. The training is designed to make participants think about their own work situations and to employ new management techniques on the job.

With the establishment of a good background in basic management, the real estate portion of the training is introduced. The real estate sessions are written to highlight the management of and maintenance role of the owners. Budgets are analyzed; sample work order and inventory systems are reviewed. Accountability for routine and emergency service requests is also stressed. Practical exercises are also a part of the sessions.

The training style is informal and allows for high levels of participant interaction. The target time for each session is 3 - 4 hours. Trainers function as a classroom "facilitator", as opposed to a traditional "teacher".

The sessions are structured to provide maximum reinforcement of the course content. Sessions follow a standard format:

- ▶ Pre-Session: Reading material and test.
- ▶ Session: Review/summary of the pre-session reading material; group discussion questions; practical and interactive group exercises; session test and group discussion of answers; distribution of the pre-session material for the next session.

Session materials became units in a workbook binder that is "built" by each participant. At the beginning of the course, each participant is given a binder with dividers for each session. The workbook includes only a "Table of Contents" at the beginning of the course, and as the sessions progress, participants insert new session materials. These workbooks are both training manuals and future reference materials for participants.

At the completion of the training, the participants are given certificates designating them "Housing Management Specialists".

In addition, a short training video is available to introduce the program to officials, owners and tenants. This video is part educational and part promotional, stressing the benefits of private management and describing the process of implementation. The video can also be used to introduce the program to the media.

All USAID/PADCO training is conducted in Ukrainian or Russian by seasoned trainers. Training is conducted in your locality, and it is your responsibility to provide an adequate training facility. One complete set of training materials will be given to you in advance of the training, and you will be responsible for making one copy for each training participant.

Part of the USAID/PADCO training philosophy is to utilize the concept of "training of trainers" whenever possible. This means that we will offer the training once in your community, and within the context of that training, we will train local trainers to serve as your future training resources. This gives you the local capacity to conduct training as required, and maximizes the potential for program expansion. It is your responsibility to designate a minimum of two qualified trainers for this purpose.

To present all twelve sessions takes a total of five days. This can be scheduled all at once or in two training increments.

The available Private Management and Maintenance Training Curriculum for Owners is as follows:

Unit I	Management Styles; Perception and Attitudes
Unit II	Group Dynamics: Managing Morale
Unit III	Managing Change
Unit IV	Management by Objectives: A Process of Management
Unit V	Goal Setting and Feedback
Unit VI	Real Estate Management



Unit VII	Maintenance Planning and Budgeting
Unit VIII	Maintenance Work Order Systems
Unit IX	Procurement and Inventory Management
Unit X	Roles of the Owner and the Property Management Companies; Property Management Company Reporting; Monitoring by the Owner
Unit XI	Financial Management
Unit XII	Procurement of Contractors: The Request For Proposals (RFP) Contracting and Performance Monitoring

### **Training of Private Contractors:**

Training is also available for private contractors. Since private management is a new business, it is unrealistic to think that private contractors will materialize and be fully prepared to undertake the work. Training entrepreneurs and private firms is an important element in this emerging market. If the program is to successfully expand, existing and new firms must be trained and ready to enter the market.

In recognition of the need to foster business development, PADCO offers sessions on:

- ▶ "How To Write A Business Plan" detailing how to calculate business risk and how to set realistic, achievable goals for business growth and profitability. No business should function without such a plan. Each participant is required to draft a business plan for his or her firm.
- ▶ "Landlord - Tenant Relations" explores how to maintain good relations with tenants and homeowners. Contractors are repeatedly reminded that management and maintenance are "customer oriented services", the success of which depends on customer satisfaction.
- ▶ "Rent Collection" gives tips on how to collect rent. Now that rents are increasing, they are worth collecting. Contractors can play a role in getting delinquent renters to pay up. Without an eviction mechanism, the contractor is counseled in how to connive, cajole, and embarrass tenants into paying their rent.
- ▶ "Turnover Repairs" covers the need to perform repairs in vacant units before a new occupant moves in. This ensures resident satisfaction with his/her unit and ensures that maintenance needs are not deferred.

Conducting these sessions takes two days. The target participant is an existing business or start-up business wishing to enter the private management market. Privatized Zheks are also candidates for this training, if they are willing to compete for contracts.

## APPENDIX E

# ***SAMPLE PRESS RELEASE***

(DATE)

### **FOR IMMEDIATE RELEASE:**

The Kievskiy and Ochyabriskiy JAI O's (hereinafter referred as the "Owners") operating housing in Kievskiy and Ochyabriskiy RAI O's of the City of Kharkiv invite qualified bidders to submit proposals for the Private Management and Maintenance of 6,000 units of Municipally-Owned Housing.

**Background:** An Agreement has been signed between Kharkiv City Government and The United States Agency For International Development ("USAID") to implement The Shelter Reform Program. Through this Program, Technical Assistance has been provided to Kharkiv City Government to facilitate the Privatization of the Housing Sector. As part of this Privatization effort, a Pilot Program is being conducted to demonstrate the feasibility of providing high quality, competitive management and maintenance services to the Municipally-Owned Housing stock.

**The Privatization Program:** Contracts will be entered into with private firms to manage and maintain 6,000 units at two locations:

**Bid Package 1-** Kievskiy RAI O, Piatikhatki (4,000 units)

**Bid Package 2-** Ochyabriskiy RAI O, Moskaliyovka (2,000 units)

Bidders may bid on one or more Bid Packages. Contracts will be awarded on an objective and competitive basis, taking into account such factors as experience, references, staffing, and cost. Contracts will be negotiated between the Owner and the successful bidders. Contracts will be for a period of one-year, with the capability of being extended for additional years; it is expected that the Contracts will be extended beyond the initial one-year period.

**The Bidding Process:** The bidding competition will be conducted using the "Request For Proposals" (RFP) format. All interested parties should request a copy of the RFP package and thoroughly acquaint themselves with it before bidding for this work. Proposals that are not submitted in the format stipulated in the RFP will not be considered. A copy of the RFP may be obtained from: \_\_\_\_\_ (insert name and telephone number of contact person) \_\_\_\_\_.

**The Bidder's Conference:** To assist all interested parties in preparing their proposals, a Bidder's Conference will be held on \_\_\_\_\_ in the \_\_\_\_\_ at \_\_\_\_\_. As the "RFP" procurement concept is a new one, a complete

explanation of the process will be given at the Pre-Bid Conference. Step-by-step instructions on how to prepare proposals will also be presented at the Pre-Bid Conference.

All proposals must be received by \_\_\_\_ on \_\_\_\_\_. Any proposals received after that deadline will be returned unopened to the submitting entity.

The JAI's are equal opportunity employers, and all proposals will be evaluated *strictly* on their merits.

*The JAI's reserve the right to reject any and all bids.*

A competitive negotiation may be held among the finalists to determine the final award.

## APPENDIX F

### SAMPLE INVITATION TO BID

#### REQUEST FOR PROPOSALS

##### **Privatization Of Management And Maintenance Of Municipally-Owned Housing**

The Kievskiy and Ochyabriskiy JAIo's (hereinafter referred as the "Owners") operating housing in Kievskiy and Ochyabriskiy RAIoN's of the City of Kharkiv invite qualified bidders to submit proposals for the Private Management and Maintenance of 6,000 units of Municipally-Owned Housing.

**Background:** An Agreement has been signed between Kharkiv City Government and The United States Agency For International Development ("USAID") to implement The Shelter Reform Program. Through this Program, Technical Assistance has been provided to Kharkiv City Government to facilitate the Privatization of the Housing Sector. As part of this Privatization effort, a Pilot Program is being conducted to demonstrate the feasibility of providing high quality, competitive management and maintenance services to the Municipally-Owned Housing stock.

**The Privatization Program:** Contracts will be entered into with private firms to manage and maintain 6,000 units at two locations:

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**The Bidder's Conference:** To assist all interested parties in preparing their proposals, a Bidder's Conference will be held on \_\_\_\_\_ in the \_\_\_\_\_ at \_\_\_\_\_. As the "RFP" procurement concept is a new one, a complete

explanation of the process will be given at the Pre-Bid Conference. Step-by-step instructions on how to prepare proposals will also be presented at the Pre-Bid Conference.

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*The JAI's reserve the right to reject any and all bids.*

A competitive negotiation may be held among the finalists to determine the final award.

APPENDIX G

# CITY OF KHARKIV

*The Privatization Of The Management And Maintenance OF  
Municipally - Owned Housing*

**Pilot Program**

# **Request For Proposals**

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## I. INTRODUCTION

### A. Background

In 1993, a "Memorandum of Understanding" was signed between the United States Agency For International Development (hereinafter referred to as "USAID") and The City of Kharkiv (hereinafter referred to as the "City") for Technical Assistance in the Housing Sector. The City targeted the privatization of the management and maintenance of the Municipally-Owned housing stock (hereinafter referred to as the "Stock") as an initial area of study.

The City will enter into a one-year Pilot Program (hereinafter referred to as the "Pilot") to demonstrate the feasibility of providing high quality, private management and maintenance services to the Stock.

Implementation of the Pilot is scheduled to begin on March 1, 1995; the Pilot will have a duration of one-year, but the expectation is that the Contracts will be continued for some additional years.

The City's Stock is currently administered by the ten RAiON's. Each RAiON is further divided into neighborhoods where the Stock is managed and maintained by micro - management entities known as Zhek's.

City rents currently pay for only a small portion of the operating costs of the Stock, thus requiring the City to provide enormous annual housing subsidies. The current inflationary trend in the economy puts additional strain on the City's limited subsidy resources. Ukraine has undertaken a policy of raising rents so that the future operational costs of the Stock will be self-sustaining, as called for in "Resolution # 93" of the Supreme RADA of Ukraine.

In the context of PADCO's Pilot, the City will explore private and competitive alternatives to traditional forms of public management and maintenance. The premise of the Pilot is that private, competitive management and maintenance alternatives will be less expensive, and will lead to a better quality of life as measured by changes in the levels of tenant satisfaction with the Stock.

Who may submit Proposals? Any Juridical Person, Small Business Enterprise or Individual may submit Proposals.

### B. Objectives

The Pilot is Goal-Oriented and utilizes quantifiable, qualifiable, and time-bounded Objectives to measure performance. The Pilot is focused less on the work "process" and more on the work "results". For example, the Contractors will be required to maintain the building common areas to a certain standard of cleanliness and safety. The Pilot is not concerned with the process (or "how") the Contractors achieve the common area objective, but rather with the "end result". When the common areas are inspected by the Owner and found to be in compliance with the stated objectives, the Contractor's performance will be judged as satisfactory (or outstanding in instances where the Contractor has exceeded the performance objective). If the objectives and budgets are met, it will not be the concern of the Pilot to evaluate how many man-hours or what techniques were used by the Contractors to achieve the Pilot's goals.

The Goal of the Pilot is as follows:

To demonstrate the feasibility of Private Contractors delivering high quality management and maintenance services to Municipally-Owned Housing.

Your performance criteria should be written to achieve the Owner's Goal and to satisfy Owner standards, such as:

1. Immediately responding to all emergency service requests; abating all emergency conditions with 24-hours.
2. Responding to all routine service requests within 24-hours, unless due to circumstances beyond your control.
3. Abating all hazardous conditions within 24-hours of discovery; maintaining security systems in working order.
4. Disposing of refuse so that garbage chutes are always clean and odor-free.
5. Maintaining entryway, stairway landings, and other common areas that are inside buildings so that the areas are always clean and attractive.
6. Maintaining building exteriors and grounds so that the property presents a clean and attractive image to the tenants and general public.
7. Maintaining a responsive and cordial working relationship with tenants at all times.
8. Being accountable to the Owner by attending meetings and keeping accurate records; regularly reporting data, such as budgets, site inspections, detection of illegal activities and vandalism, maintenance response times, work order accountability, etc..

9. Earning incentive fees by reducing budgeted expenses whenever possible and passing the savings back to the Owner.
10. Using motivational management techniques with your staff that make the Owner's goals and objectives coincide with staff goals and objectives.

### **C. Scope of Work**

Contracts will be awarded for the following package of work:

**Current repair** of buildings that are included in the Pilot Program. Current repair is any ordinary repair to buildings (and associated systems, structures, and grounds) required to keep the building in good working order. Current repair does not include capital repair or extraordinary maintenance, such as replacing lifts.

**Emergencies** in buildings and flats. An emergency is any repair that poses an immediate threat to the safety and well being of the tenants and/or the general public, including any hazardous condition inside or outside of the buildings. An example of an emergency is a gas leak in a flat or a building.

**Refuse and litter removal.**

**Janitorial service.**

**Landscaping** or the improvement of the appearance of a building by the planting and maintaining of grass, shrubs, plants, and trees on the grounds associated with that building.

**Selective Preventive Maintenance**, as agreed upon with the Owner. Preventive maintenance is the performance of regularly scheduled maintenance tasks to prevent and or decrease the incidence and/or frequency of emergency repair.

Contractors will not be responsible for the following:

**Capital repair** (please note that all required testing and repairs to the heating systems of the Pilot properties was performed and verified), unless requested by the Owner and funded apart from this Contract.

**Tenant turnover repair**

**Dispatch**

**Contracts for utilities, or other communal services**

**Communal services, rent, or utility calculations**

**Passport control**

**Draft registration**

**Leasing**

## **D. Funding**

Funding for the Pilot is provided by the City.

Because of the geographic distribution of the flats, the Pilot is divided into \_\_\_\_ distinct packages of \_\_\_\_ flats each, and \_\_\_\_ contracts (one for each package) will be awarded. You may submit a proposal that includes one or more of the packages. These packages are described in detail in Section III. You must specify in your proposal for which package(s) you are submitting a bid.

The level of funding for the Pilot has been determined using actual historic expense data for the \_\_\_\_ packages of flats.

Factors such as the location of the flats, construction type, age of the building, and amount of deferred maintenance have been taken into account in the calculation of the expense data. All expense data has been calculated on a "Karbovanets per square meter (of dwelling space) per month" basis; expense calculations do not include the cost of Communal Services. Your cost proposal must be formatted using the same "Karbovanets per square meter (of dwelling space) per month" basis; data regarding square meters is also contained in Section III.

Expense data has been trended and takes into account local inflationary trends through \_\_\_\_\_. If during the Contract period the Contractor's ability to perform is negatively impacted by inflation, the City shall fund the Contracts at a higher expense level based on the \_\_\_\_\_ index of inflation.

Funding is for a period of one-year. Although Contracts will be written for a period of one-year, with an option on the part of the Owner to renew for an additional one-year, there is no guaranty of funding beyond the first year.

## **E. Format For Proposal Submission**

All proposals must follow the format specified in this RFP. Proposals that are not submitted in the specified format may be rejected by the Owners.

A comprehensive briefing on the RFP concept and on "how to" write your Proposal will be given at the Pre-Bid Conference.

All Proposals must be submitted in Five (5) Copies.

An outline of the Proposal Format is as follows:

I. Technical Proposal

A. Information About Yourself

1. The Name And Composition of Your Team, Including Principals. Who Is The Lead Person For Matters Regarding The Proposal? If You Are Awarded A Contract, Who Will Be The Principle In Charge?
2. Describe Your Enterprise - Is It A Juridical Person, Joint-Stock Company, Public Entity Converting To A Private Company?
3. Where Are You Located? Address(es)? Telephone number(s)?

B. Experience

1. How Long Have You Been In Business?
2. What Are Your Qualifications To Do The Business?
3. What Customers Have You Had? Past? Present? Please Provide Us With A List, Including Addresses And Telephone Numbers. Please Give Us Your Permission To Contact Them Regarding Their Satisfaction With Your Work.
4. What Is The Work Approach/Philosophy Of Your Firm? What Distinguishes You From Other Firms Doing This Type Of Work?
5. Are You Adequately Staffed To Achieve The Goals Of The Pilot Program? Please List Your Staff By Name, Position, Experience, Time With Your Firm, Percentage Of Time That Various Staff Will Devote Exclusively To The Pilot. How Many New Staff Have You Hired In The Past Year? How Many Have You Laid-Off Or Terminated?
6. Have You Ever Had A Contract Terminated? For What Reason(s)?
7. Do You Have Annual Reports, Financial Statements, Audits, Or Other Documents That Show The Financial Soundness Of Your Firm? If So, Please, Provide Us With Copies Of The Last Two Years.

8. If You Intend To Use Sub-Contractors To Perform Any Of The Work, Please Tell Us About Them - Who Are They? What Is Their Experience? How Long Have They Been In Business? Have You Worked With Them Before?

9. What Type Of Work Order System Do You Propose To Use? Please Include A Sample Of Your Work Order Form.

10. How Do You Propose To Provide For 24-Hour Coverage Of Emergencies? Please Include A Narrative In Your Proposal Describing This Process.

11. Likewise, How Do You Propose To Handle Routine Service Requests? Describe The Process.

12. Describe Your Philosophy Regarding Tenant Relations - How Will You Relate To The Tenants? What Steps Will You Take To Insure That The Tenants Are Satisfied With Your Performance?

13. Describe Your Philosophy Regarding Owner Relations- How Will You Relate To The Owner To Insure That Your Performance Is In Accord With The Contract? How Will You Communicate And Coordinate With The Owner?

14. Describe How You Will Handle Supplies To Insure That Adequate Materials Are on-Hand To Fulfil Your Maintenance Mission. What Inventory Procedure Will You Utilize? What Controls Will You Use to Safeguard And Control Supplies?

## II. Cost Proposal

### A. Income

1. Your Source Of Income For This Contract Will Be Funding Provided By The City.

2. Funding (i.e. Budget Income Levels Will Be Determined By Your Cost Bid(s). Your Cost Bid(s) May Not Exceed The Benchmark Karbovanets Per Square Meter Per Month Calculation Determined By The City. These Benchmark Calculations For The Three Bid Packages Are As Follows:

a. Package I (\_\_\_\_\_ RAiON) -  
\_\_\_ X \_\_\_ KRB

b. Package II (\_\_\_\_\_ RAiON) -  
\_\_\_ X \_\_\_ KRB

c. Package III (\_\_\_\_\_ RAiON) -

\_\_ X \_\_ KRB

3. Your Cost Bid May Not Exceed The Above figures. As The Bidding Will Be Competitive (And Particularly Regarding Cost), The Owners Will Award Contracts To Bidders That Have The Most Cost Effective Price And Who Are Most Qualified To Perform The Work. If You Can Realistically Perform The Work For An Amount That Is Less Expensive Than The Above Figure, You Will Have A More Competitive Proposal.

4. You Must Factor Your Fee, Including Overhead And Profit, Into Your Cost Bid.

#### B. Expense

1. A Requirement Of The Contract Will Be To Submit Monthly Financial Reports To The Owner. The Reports Will Be In The Format Of Cumulative Year-To-Date Budgeted Versus Actual Income And Expense.

2. Please Include A Detailed Breakdown Of The Expenses Upon Which You Have Based Your Bid. This Should Include The Following:

a. Salaries - Administrative And Maintenance; Employee Benefits. Salaries Should Be Provided For Each Position.

b. Maintenance Materials, Including What Inventory You Will Have On-Hand

c. Maintenance Equipment

d. Sub-Contracts

e. Office Costs

f. Start-Up Costs, Including Tools And Equipment

g. Other Costs

3. If Some Costs Are Seasonal (Like Snow Removal And Grass Cutting), Please Include A Schedule Of What Months And How Much.

4. Maintenance Supplies Will Be Procured Through The Private Market. How Do You Propose To Procure Supplies, And What Expense Will Be Attributable To This Budget Item?

#### F. Procurement Process

The procurement of Contractors for the Pilot shall be carried out in an open and fair fashion that is consistent with the public purpose of the Pilot.

Proposals will be analyzed and Contracts will be awarded on an equal and fair basis, without regard to race, sex, religious, or ethnic backgrounds of the bidders.

All Proposals will be opened at \_\_\_\_\_ on \_\_\_\_\_. This Proposal Opening may be attended by anyone that is interested. A list of proposers and bid prices will be made at the Proposal Opening.

All Proposals (and the entire Proposal contents) shall be considered to be in the public domain. Any Proposal may be reviewed by any interested party upon request.

All Contracts shall be considered to be in the public domain. The Contract Agreements and the Contract Prices may be reviewed by any interested party upon request.



## II. PRE-BID CONFERENCE

A Pre-Bid Conference will be held to brief all interested bidders on the Pilot and the RFP. This conference will be both informational and instructive. Information regarding the Pilot will be discussed, and instructions regarding how to respond to the RFP will be covered at this meeting. Any questions about the Pilot or the RFP will be entertained at the meeting. Any questions that are not answered at the meeting will be answered to each conference attendant prior to the due date of the Proposals.

In the interest of fairness, NO questions will be entertained outside of this conference. Do not telephone the Owner with questions; please save all questions until the conference. By addressing all questions at the conference, all interested bidders will have the benefit of hearing the same questions and answers.

Although attendance at the Pre-Bid Conference is not mandatory, all interested bidders are strongly urged to attend.

The Pre-Bid Conference will be held at \_\_\_\_\_ on \_\_\_\_\_ from \_\_\_\_\_ till \_\_\_\_\_.

## III. DESCRIPTION OF THE PROPERTY AND PROCEDURE FOR INSPECTION

### A. Demographics Of The Bid Packages

Package I. (II, etc.)

Building Type

Year of Construction

Wall Material

Number of Stories

Building Volume in cub. meters

Total Space

Dwelling Space

Number of Units

Roof Material

Roof Space in Square Meters

Facade Space in Square Meters

Drainage Ducts

Garbage Tanks

Number of Entrances

Number of Lifts

Last Capital Repair

## **B. Procedure For Inspection**

All potential bidders are encouraged to inspect the properties included in the Pilot.

A group tour of the properties will be conducted on \_\_\_\_\_ at \_\_\_\_\_ for Bid Package \_\_\_\_  
\_\_\_\_\_ starting at \_\_\_\_\_. Attendance at the Tour is not mandatory.

Only one Tour will be given. Individual Tours will not be accommodated. There is no prohibition regarding potential bidders making their own site visits, however, you should notify the Owner that you will be visiting a particular site in case there are any questions from the tenants regarding who you are or what you are doing on the site.

## **IV. SELECTION PROCESS**

### **A. Evaluation Criteria.**

All Bidders will be evaluated and ranked using the following procedure:

Criteria	Points
Experience	20
Staffing	15
References	10

Work Plan	20
Cost	25
Interview	10
Total:	<hr/> 100
Bonus For Completeness Of RFP	+10
	<hr/>
<b><i>Total Possible Points=</i></b>	<b><i>110</i></b>

## **B. Interview**

Interviews will be scheduled with all qualified bidders. A qualified bidder is one that has submitted a proposal in accord with the requirements of this RFP.

Finalists will be selected based on information contained in the Proposals and on information presented in the interview. The ranking of bidders will be based on the weighted evaluation criteria listed above.

Please note that the interview is mandatory; no bidder may advance to a finalist position, unless he or she has been interviewed.

If you are selected for an interview, you may bring a team of representatives from your firm to the interview, as long as the number of persons does not exceed five.

Interviews will be conducted by a team of interviewers representing the Owner and the City. The interview will be held on \_\_\_\_\_ at the \_\_\_\_\_. The composition of the interviewers' team will be announced at a later time.

## **V. CONTRACTS**

### **A. Contract Format**

A "Model Contract" in accord with the laws of Ukraine and the City will be developed by the Owner and will be used for all Contracts to be awarded under this RFP. Except for the names of the Contractors and the Contract amounts, all Contracts will be identical and will not be subject to individual negotiation or amendment.

The Contracts shall be considered to be documents in the public domain, and any interested party may review the Model Contract and the executed Contracts upon request.

### **B. Notice To Proceed**

No work shall commence on any Contract unless the Owner has issued a "Notice To Proceed". A Notice To Proceed is a written consent from the Owner to the Contractor authorizing the Contractor to commence work as of a certain date.

An executed Contract and a Notice To Proceed constitute a Contractor's authority to commence work.

### **C. Contract Payments**

Payments under these Contracts are guaranteed by the City. Contract payments will be made monthly, one-month in advance. Payments will be transferred directly into the Contractors' specified bank accounts. Payment will be rendered in Karbovanets.

## **VI. PERFORMANCE EVALUATION AND MONITORING**

### **A. Financial Accountability**

The Contractor shall be responsible for accurate and timely record-keeping regarding the receipt and expenditure of all Contract payments under the Pilot. Monthly financial reporting to the Owners will be required, and monthly payments may be delayed or withheld, if financial reporting requirements are not met. Financial records shall be subject to audit by certified accountants at the end of the Contract Period and at any time during the Contract Period, as may be required by the Owners.

### **B. Monitoring And Tenant Satisfaction**

Monitoring of specific performance under the Contracts will be done by the Owners. The Owners will confer regularly with the Contractors to evaluate performance and to provide feedback to each other. Monitoring will include assessments of the physical condition of the buildings included in the Pilot, and tenant interviews to measure satisfaction with the services provided under the Pilot.

### **C. Fees And Incentives**

There are three levels of Contractor performance that will be recognized by the Contracts:

1. Satisfactory Performance - The Contractor is performing all work in accord with the contract provision. Contract payments are made at the base level stipulated in the Contract.
2. Outstanding Performance - The Contractor's performance exceeds all of the Contract provisions. Contract payments are made at the base level plus \_\_\_\_%.
3. Unsatisfactory Performance - The Contractor's performance is below that stipulated in the contract. Remedial action is required by the Contractor to correct performance deficiencies. Contract payments may be withheld until performance is satisfactory.

A more specific definition of what constitutes these three performance levels will be given at the Pre-Bid Conference and will be incorporated into the Contracts.

### **D. Termination Provisions**

The Contracts will include a provision for termination. Termination may be initiated by either the Owner or the Contractor. Termination is a last resort, and the Contracts may be not only terminated for cause, i.e. lack of specific performance on the part of the Owner or the Contractor.

Termination will not occur until all efforts to cure or remedy defects are exhausted. A reasonable amount of time will be given to cure or remedy defects. All defects must be first discussed at a meeting of the parties, and then written notice of the defect(s) must be given, with the time to cure so specified.

## **VII. For Information Regarding The RFP**

### ***CONTACT:***

\_\_\_\_\_ of \_\_\_\_\_. Telephone number: \_\_\_\_\_



## **APPENDIX H**

# **APPENDIX I**

## **The Kharkiv Privatization of Management & Maintenance Program**

### **Remarks and Plan for Conducting the Pre-Bid Conference**

#### **I. Welcome and Introduction**

- Introduce the members of the technical assistance team and the Department of Housing & Communal Services team.
- Circulate a "sign-in" sheet and ask all bidders to sign, showing their names, addresses, and telephone numbers.
- Ask each bidder to introduce themselves: their names, firms, how did they hear about the program?
- Give an overview of the agenda.

#### **II. Overview of the Program**

##### **- Background**

- Rents do not cover operating costs; new policy is that by September 1995, rents will be gradually raised to cover 60 % of municipally-owned housing operating costs.
- This year, Kharkiv decided to test the feasibility of providing high quality, competitive, private maintenance to municipally-owned housing. We have a sample of buildings in 3 RAiON's: Oktiabrskiy, Moskovskiy and Chervonosavodskiy RAiON's.
- Explain the three components of the program: owner training, procurement, and monitoring; mention new training program for contractors.

##### **- Goals**



- *The First Goal* is to demonstrate the feasibility of providing competitive, high quality, private management and maintenance to the housing sector. This encompasses both privately - owned *and* municipally-owned housing.

- *The Second Goal* is to monitor and evaluate the performance of private management and maintenance contractors.

- *The Third Goal* is to survey owners and tenants to assess their satisfaction with private - *versus* - municipal management and maintenance.

- *The Fourth Goal* is to use the learning experiences of the Pilot to expand the Program every RAiON by the end of 1995.

### **- Why is Reform Needed in Housing Management and Maintenance?**

- 6 Rents now pay for only a fraction of housing operating costs, putting enormous burdens on state and local budgets.
- 7 Historically, all housing maintenance has been provided on a monopolistic basis by public entities, known variously as ZHEK's. Over time, the level of this maintenance has deteriorated, leaving a legacy of deferred maintenance and low tenant morale. ***What has been missing is the element of competition.***
- 8 In accord with Resolution # 93, communal services prices are to be raised to more self- sustaining levels. When rents are raised, owners *and* tenants *will demand* improved management/maintenance services as a justification for the higher rent.
- 9 As Ukraine moves toward a market economy, housing should be viewed as an asset; the management and maintenance of this asset should be viewed as a business, a business that *can be* profitable and respectable.
- 10 The owners of newly privatized flats will *demand* alternatives to public maintenance in order to protect and enhance the value of their property; in other words, a condominium in a *well* maintained building *is more valuable* than a condominium in a *poorly* maintained building.
- 11 The municipal maintenance organizations *should begin* to compete in the market place for business, and they should have a goal of being profitable. Experience has shown that private contractors can achieve cost savings by doing "more with less", usually in the area of staffing.

**- Funding** is provided by the City

- If funding is equal to Zhek funding, why should you bid? You will gain valuable experience that will make you a leader in this emerging housing market. Not only is the municipal housing owner a customer, but the newly formed condominium associations are also owners and will be a very lucrative future source of profit.
- With 26 % of Kharkiv flats now privatized, the private owner has come to realize that besides location, the quality of maintenance is a prime determinant of the worth of a flat. Things like clean and secure entryways make flats more valuable, and an owner is willing to pay a premium to get the highest quality maintenance.
- **The scope of work** under the program is focused on maintenance and not on extraneous functions, such as Propiska, Draft Registration, or Communal Services calculations.
  - Review the contractor's work items from the RFP
  - Stress the following from the RFP:
  - Review the prohibited activities list.
  - The program is "results" oriented, as opposed to "process" oriented.
  - Good communication and coordination with the owner are mandatory, i.e., regular meetings, joint owner-contractor field inspections, etc.
  - Incentives equal 5 % for outstanding performance.
  - Excellent relationships with tenants are essential; the tenant is the customer; the customer is king!
  - Diligence must be observed with the dispatch function: both routine and emergency responses to service requests must be made promptly!
  - Extreme care must be taken to eliminate any hazardous conditions!
  - The buildings and grounds must be *clean and attractive* at all times.

### **III. Overview of the RFP process and How to Write a Proposal**

#### **- How an RFP works**

- The process is "public": meetings are open; bid tabulations are public; contracts are within the public domain; information is subject to "freedom of information".

- The process is fair and objective; no manipulation of the selection process is tolerated.
- Explain the concept of "the bidder with the highest qualifications and the lowest realistic cost" wins.
- Explain the interview process and the utilization of an objective "Selection/Interview Committee".
- Explain the concept of "competitive negotiation".
- Explain the concept of "risk".
- **Timetable:** Review the schedule for the procurement; stress that no bids will be accepted after the deadline for submission.
- **Proposal Format:** Review the technical and cost proposal elements from the RFP.
- **Evaluation Procedure:** Review the evaluation procedure and the "weighted" scoring system.

#### **IV. Remarks by the Owner**

##### **- Description of the Bid Package**

- Description of the building types included in the bid package; description of the "phasing" of the new construction.

##### **- Provision of Dispatcher's Point and Other Space**

- Describe the Dispatcher's Point
- Describe the office space: how many rooms, how many square meters, how many telephones?
- Describe the maintenance work room and warehouse room: where, how large?
- What happens to flats for workers during the term of the contract.

#### **V. Overview of the Contract**

##### **- Form of the Contract**

- Give a brief overview the contract sections; brief because copies of the contract will be given to the participants, and they may read them in detail later. The standard contract was developed by the Department of Housing and Communal Services; highlight key features of the contract- such as the termination provision, term of contract, renewals, etc.

#### **- Funding and Inflation**

- How/when is funding provided? How much funding will be provided on a KRB/square meter/month basis? How is inflation indexed? When are payments adjusted for inflation? Is funding dependent upon performance?

#### **- Monitoring and Evaluation**

- How is the contract monitored by the owner? How are disputes between the owner and the contractor resolved? What are the performance categories? How is outstanding performance rewarded? Stress the need for regular field inspections on the part of both the owner and contractor. Stress the importance of feedback from tenants regarding performance!

### **VI. Questions and Answers**

- Try to answer all questions. Take as much time for this segment as required. If you cannot answer a question, tell the participants that you will get back to them later with the answer.

- Thank everyone for attending. Encourage everyone to submit a proposal! Encourage participants to call the owner or PADCO with any additional questions. *Remind every one of the proposal due date and time.*